



## STATE BOARD OF LAND COMMISSIONERS

Dirk Kempthorne, Governor and President of the Board

Pete T. Cenarrusa, Secretary of State

Alan G. Lance, Attorney General

J. D. Williams, State Controller

Marilyn Howard, Superintendent of Public Instruction

Stanley F. Hamilton, Secretary to the Board

### Final Minutes Special Land Board Meeting June 22, 2000

A special meeting of the Idaho State Board of Land Commissioners was held on Thursday, June 22, 2000 in Boise, Idaho. The meeting began at 2:30 p.m. with the Honorable Dirk Kempthorne presiding. The following members were present at the beginning of the meeting:

Honorable Secretary of State Pete T. Cenarrusa  
Honorable Superintendent of Public Instruction Marilyn Howard

Secretary to the Board Stanley F. Hamilton

State Controller Williams arrived and participated in the meeting beginning at 2:40 p.m.

Attorney General Alan Lance was absent and en route to Southeast Asia to represent the American Veterans as their National Commander.

#### • **CONSENT AGENDA**

Director Hamilton provided background information on the Consent Agenda items. Item #3 – Qualified Bidders – was withdrawn. No objection was voiced.

A motion was made by Secretary of State Cenarrusa to approve the Consent Agenda with Item #3 withdrawn. Superintendent Howard seconded the motion. The motion carried on a vote of 3-0, with State Controller Williams and Attorney General Lance being absent.

#### **1. Official Transactions – approved**

- A. Interest Rate Report
- B. Bureau of Minerals Official Transactions – February 2000
- C. Bureau of Minerals Official Transactions – April 2000
- D. Bureau of Range Management and Surface Leasing Official Transactions for Cropland, Grazing, Cottage Site, Miscellaneous and Submerged Land Leases – April 2000
- E. Bureau of Range Management and Surface Leasing Official Transactions for Cropland, Grazing, Cottage Site, Miscellaneous and Submerged Land Leases – May 2000
- F. Bureau of Real Estate, Easement Section – April 2000
- G. Timber Sale Official Transactions – April 20, 2000 through May 24, 2000
- H. Bureau of Real Estate, Land Sale Section – April 2000

#### **2. Timber Sales – Staffed by Ron Litz, Chief, Bureau of Forest Management – approved**

- |              |                       |                       |
|--------------|-----------------------|-----------------------|
| A. CR-1-0310 | Squaw Creek           | 2,300 MBF             |
| B. CR-3-0452 | Initial Backside Bugs | 8,200 MBF             |
| C. CR-3-0453 | Scattered Pole        | 1,695 MBF / 3,900 PCS |
| D. CR-3-0463 | Mica Bugs             | 6,235 MBF             |
| E. CR-4-0702 | West Thunder          | 3,770 MBF             |
| F. CR-3-0456 | Hatton Creek          | 5,220 MBF             |

3. **Application for Qualified Bidders List, Timber Sales** – *Staffed by Ron Litz, Chief, Bureau of Forest Management* – **WITHDRAWN**  
A. K & C Logging, Post Office Box 824, Ashton, ID 83420-0824

4. **Minutes** – **approved**

- A. Regular Land Board Meeting – May 9, 2000

5. **Guidelines for Regular and Special Meetings of the State Board of Land Commissioners** – **approved**

• **REGULAR AGENDA**

6. **Endowment Fund Investment Board Manager's Report** – *Presented by Dr. Nick Hallett, Chairman, Endowment Fund Investment Board and Charles G. Saums, Investment Manager*

**ENDOWMENT FUND INVESTMENT BOARD RECOMMENDATION:** The Endowment Fund Investment Board recommends approval of the Variable Spending Policy at the Special Board of Land Commissioners meeting on June 22, 2000.

**DISCUSSION:** EFIB Chariman Hallett recommended that the Land Board approve the spending and investment policies necessary to allow the EFIB to proceed with investments and to attain their goals.

Charles Saums, EFIB Investment Manager, provided the following information in response to several questions that he has been asked.

- Why was the population of the state used, versus population of the schools, as one of the factors in developing the policies? Mr. Saums stated because Public Schools is not the only endowment it would have been difficult, especially for the smaller endowments, to use each endowment's population. In developing the policy, it was felt that using the population of the state was a better and more equitable option.
- Who is responsible for what by Idaho Code? Mr. Saums provided a handout which included codes governing the Endowment Fund and management thereof. The EFIB is to perform under the policies that are established by the Land Board. One of the duties of the Land Board is to annually make a distribution to the beneficiaries.
- Can projections be made to show whether there would be any additional monies that could be spent? Mr. Saums stated he was hesitant to forecast the market and to give an indication that there may be monies that could be spent when more than likely, if the policy is adhered to, those monies should not be spent. Spending those monies would interfere with the growth of the Stabilization Fund. The EFIB feels the Stabilization Fund should be allowed to grow quickly to protect the corpus. If monies are not withdrawn early in the program, there will be more money available for distribution later.

Controller Williams asked if, after July 1, 2000, it would be possible to project under the same assumptions as used for other projections what the Stabilization Fund's growth would be each year until the sixth year when it would then be one-third of the total. For example, if the first year was projected at \$50,000,000 but because of circumstances the figure was \$75,000,000, there is nothing to prevent the Land Board from saying that \$25,000,000 is available for distribution. The fund would still meet the six years on schedule or thereabouts.

Mr. Saums responded that may or may not be true because markets do not always perform as projected. By withdrawing \$25,000,000 from the front, the board could be taking away future earnings. Should the market not perform each year as hoped, taking the money from the front may extend the timeline by three or more years.

Governor Kempthorne provided clarification. The policy as presented is the glide path. At some point every year the EFIB would advise the Land Board whether it is still on the glide path or if in fact that path is being exceeded. If these measures are adopted today, there is nothing to preclude the Land Board from annually making a determination of whether to invest the money or to make a one-time appropriation to the schools. While the Land Board will be prudent in its decisions, it will also be pragmatic. If the Land Board has opportunities to invest in one-time expenditures in the school system, and can get a return on that investment through enhancing the environment for the kids, that is a plus. Governor Kempthorne feels this should be standard procedure. The Land Board should receive information annually from the EFIB indicating where it is in relation to the glide path. Then the board can make a decision each year.

Superintendent Howard commented that she sat in on the meetings of the Endowment Board and listened to its advisors. People who deal with money do not look at a year-to-year basis. They look at the long term. The plan was created and subjected to the worst possible scenario with the idea that the fund would not be jeopardized as it moves forward. The creation of a plan that has a six-year target is based on the fact that within those six years things could go up and things could go down. The six years is viewed as a unit of time and not as separate years.

Superintendent Howard suggested that the board should not pull what is truly a long-term investment strategy down to the perspective of a single year purview. At the moment the board has the advantage of a strong economy and that actually adds more reason to stick with the six-year plan. If the board can refrain from touching the money in the good times then that will leave more money when times are not as good. Superintendent Howard advocates a "stay the course" approach. As the plan goes forward the board should not be too eager to look for places to put the dollars. She feels there will always be places to put the dollars.

Governor Kempthorne commented the Land Board is agreeing to the six years. Therefore in EFIB's once-a-year forecast and projection, the Land Board would be given an indication that the figure is above what was expected and, if the board is willing to extend the timeline, there may be additional funds. By adopting the Spending Policy at today's meeting, the Land Board is agreeing to the six-year strategy but the Land Board is not locked in for the next six years. There is flexibility in the Land Board's fiduciary responsibilities through different decisions carried out along the way. The EFIB needs Land Board acceptance of its Spending Policy so that effective July 1, 2000 the EFIB knows under which operating procedures it should proceed.

Governor Kempthorne and Controller Williams thanked Mr. Saums for his work with the Endowment Fund.

**BOARD ACTION:** A motion was made by Controller Williams to approve the Endowment Fund Investment Board guidelines. Secretary of State Cenarrusa seconded the motion. The motion carried on a vote of 4-0, with Attorney General Lance being absent.

### **Additional Agenda Item Added:**

#### **7. Ohio Gulch – Presented by Controller Williams and Deputy Attorney General Clive Strong**

Based on an earlier request by Governor Kempthorne, Controller Williams and Deputy Attorney General Clive Strong reported on a meeting they attended with Mary Ann Mix, Chairman of the Blaine County Commissioners and some of her staff. Controller Williams and Deputy Attorney General Strong also met with the state lessees following the meeting with the county. Controller Williams stated that as a result of these meetings, the parties were able to come up with a suggested way to resolve the issues at hand on a short-term basis. They were also able to outline parameters for a long-term solution.

*DISCUSSION:* Once the Operating Agreement is finalized, State Controller Williams recommends that the board execute the proposed Operating Agreement for the short term and then negotiate a long-term resolution. The Operating Agreement is under review by the affected parties at this time and will be presented for Land Board review when it is finalized.

*BOARD ACTION:* None. This item was presented for the board's information and discussion.

**Additional Handout:**

Secretary of State Pete Cenarrusa provided a handout regarding H.J.R. 1 (Land Bank Constitutional Amendment). The handout contained the Statement of Purpose, Effect of Adoption and Pro and Con Arguments prepared by the Legislative Council pertaining to H.J.R. 1 (creation of a land bank) which will appear on the November 7, 2000 general election ballot.

*DISCUSSION:* None.

*BOARD ACTION:* None. This handout was provided for the board's information.

There being no further business to come before the board, this Special Land Board Meeting adjourned at 3:20 p.m.

IDAHO STATE BOARD OF LAND COMMISSIONERS

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/s/

President, State Board of Land Commissioners and  
Governor of the State of Idaho

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/s/

Pete T. Cenarrusa  
Secretary of State

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/s/

Stanley F. Hamilton  
Director

**The above-listed final minutes were approved by the State Board of Land Commissioners at the July 11, 2000 regular Land Board meeting.**